MTC SALES TAX SIMPLIFICATION PLANNING COMMITTEE
STATE SALES TAX SIMPLIFICATION ACTION PLAN

LIST OF SIMPLIFICATION IDEAS WHICH APPEAR TO LEND THEMSELVES
TO ACTION BY PARTICULAR STATES
12/31/97

COMPLIANCE SIMPLIFICATION

EXEMPTION PROCESSING

Each state has a web site that contains a list of all exempt customers and their respective registration numbers; includes Direct Pay Permit holders; once established eliminate the need for all businesses from having non-profit exemption certificates and eases verification of status of exemption in each state.
STATUS: NOT AWARE OF ANY STATE THAT HAS THIS CAPABILITY AS OF 12/31/97

Acceptance by all states of uniform multijurisdiction exemption certificates. List of states that do not currently accept (*e.g.*, IN, LA, MA, NJ, NM, NY, VA).
STATUS: NEW MEXICO HAS BY FAR THE MOST BURDENSOME PROCESS TYPICALLY NECESSITATING MULTI-DEPARTMENT INVOLVEMENT. THEY HAVE 17 TYPES OF CERTIFICATE AND EACH CERTIFICATE ISSUED MUST HAVE A UNIQUE CERTIFICATE #.
OTHER STATES THAT DO NOT CURRENTLY ACCEPT MULTIJURISDICTION CERTIFICATES: IN, LA, MA, NM, NY, NC, VA, WY; NOTE: THE LIST SEEMS TO VARY BY TAXPAYER EXPERIENCE BUT MOST STATES DO ACCEPT A MULTIJURISDICTION FORM WHICH HAS BEEN A REAL PLUS IN THE BUYER/VENDOR PROCESS

Uniform date of expiration of exemption from time of issuance: First preference is to have no expiration date; however if state has a 5 year recertification process and advises taxpayers of businesses that fail to requalify that seems appropriate as well.
STATUS: STATES WTH NO RENEWAL REQUIREMENTS (PREFERRED APPROACH): AL, AZ, AR, CA, CO DC, GA, HA, ID, KS, KY, LA, ME, MA, MN, MS, NJ, NY, NC, ND, OH, OK, SC, TN, TX, UT, VA, WI, WY

TAX RETURNS

Home Rule Issues
Eliminate home rule jurisdiction reporting such that the state would administer all county, city and special district reporting by utilization of one return covering both state and sub-state reporting.
STATUS: THIS IS CURRENTLY THE MOST BURDENSOME ASPECT OF COMPLIANCE FOR MULTISTATE TAXPAYERS –"60% OF OUR RESOURCES ARE DEVOTED TO HOME RULE COMPLIANCE" WAS ONE ANECDOTAL COMMENT IN DATA GATHERING HOME RULE REPORTING CURRENTLY EXISTS IN : AL, AZ, CO, LA, IL (CHGO), ID, MN (DULUTH), MS(TUPELO)

General
Eliminate returns by type (categories e.g., rentals, consumer use) so that only one return is necessary for the reporting jurisdiction.
STATUS: MULTIPLE RETURNS EXIST IN: AL, IA, KS, MS, OK, VA; MI- PREPAYMENT BY TYPE

Eliminate returns and reconcile payments periodically; payments made monthly or quarterly with annual reconciliation to jurisdiction reporting requirements.
STATUS: NOT AWARE OF ANY STATE THAT HAS ACCOMPLISHED THIS AS OF 12/31/97

Filing less frequently (annually, quarterly) with minimum threshold.
STATUS: NOT AWARE OF ANY STATE THAT HAS ACCOMPLISHED THIS AS OF 12/31/97

Allow consolidated returns for affiliated corporations so that sales tax for all affiliated corporations could be filed on one return under one account number in each state.
STATUS: MATRIX PENDING

Allow for agents of company to file tax returns.
STATUS: MATRIX PENDING

OTHER COMPLIANCE ACTIVITY

Allow meaningful vendor discounts without maximums for a reporting period or for annual reporting or exclusions by type of industry.

STATUS: 17 STATES HAVE MEANINGFUL DISCOUNTS; 11 STATES HAVE MAXIMUMS THAT ELIMINATE VALUE OF DISCOUNT; 18 STATES WITH NO DISCOUNT (SEE ATTACHED VENDOR DISCOUNT PROFILE)

Tax application at national level; statewide rates only; rates at state level or zip code only. Allow varying flexibility of revenue raising depending upon which of the aforementioned is chosen yet provide simplification via tax boundaries that taxpayers have ready access to such as state boundaries or zip code boundaries.
STATUS: STATES WITH LOCAL JURISDICTION TAXES HAVE NOT MOVED TO ACCEPTANCE OF ZIP CODE OR STATE LEVEL REPORTING

Limit tax changes to annual; certain date per year; require 3 month notification. Notification and limits to tax rate changes provide simplification of tax systems and equally important reduce vendor customer interaction surrounding taxes on bills.
STATUS: NOT AWARE OF ANY STATE THAT HAS ACCOMPLISHED THIS AS OF 12/31/97

Reduce instances of non-taxable t.p.p. (retail exemptions) and reduced or special rate treatment for selected products or invoice amounts.
STATUS: AR, NC, ND, TN HAVE MAX TAX AT INVOICE LEVELS

Standard situs for taxable t.p.p transactions (*e.g.*, destination origination)
STATUS: IL, KA, MS, MO, NM, SC, TN, REQUIRE CONTRACT ACCEPTANCE SITUS FOR INTERSTATE ACTIVITY

POLICY SIMPLIFICATION

States should all allow bad debt deductions and adopt a uniform methodology such as monthly deduction of bad debt write-offs. The process in some states is too complex to be practical (*e.g.*, Massachusetts).
STATUS: DC, PA, SC, WV, DO NOT ALLOW BAD DEDUCTIONS! SOME STATES DO NOT ALLOW THE TYPICAL REQUIREMENT OF BAD DEBTS WRITTEN OFF AND DEDUCTIBLE FOR INCOME TAX PURPOSES AND REPORTED EACH MONTH ON TAX RETURN; ANNUAL SPECIAL REPORT: LA, MA, SD; MO (APPLY FOR CREDIT); NJ, NY REFUND PROCESS.

All states should adopt provisiions to allow companies to obtain direct pay permits. The states should adopt uniform rules and procedures in connection with direct payment permits.

STATUS: MATRIX PENDING

States should allow taxpayers to enter into agreements with the states to use effective tax rates for the remittance of use tax based on uniform sampling techniques and/or prior audit results.
STATUS: MATRIX PENDING

AUDITS AND APPEALS

<u>Auditor Training</u> Develop a training program which would provide educational opportunities in audit fundamentals. Potential topics would include sample selection, statistical sampling, research methods, documentation standards, *etc.*
STATUS: MATRIX PENDING

EDUCATION AND COMMUNICATION

Encourage and expand existing taxpayer information sessions among the states and provide easy access to taxpayer information and updates via modern forms of communication such as Tax Bulletin Boards for each state.
STATUS: MATRIX PENDING